

# FISCAL NOTE

**Bill #:** SB277

**Title:** Create Housing Trust Fund

**Primary**

**Sponsor:** John Bohlinger

**Status:** As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
State Special Revenue	\$3,100,000	\$3,100,000
<b>Revenue:</b>		
General Fund	(\$2,248,756)	(\$2248,756)
State Special Revenue	\$3,161,885	\$3,100,000
Federal Special Revenue		
Other		
<b>Net Impact on General Fund Balance:</b>	<b>(\$2,248,756)</b>	<b>(\$2,248,756)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

#### **Secretary of State:**

1. For purposes of CI-75, the incremental cost for the Secretary of State's Office (SoS) Voter Information Packet (VIP) is \$13,629 plus county distribution costs of \$48,256 for a total of \$61,885. The SoS is to receive a general fund appropriation of this amount and , if the vote is successful, the Department of Commerce will reimburse the general fund from the state special revenue approved by this issue. A statewide, non-general election has a base cost of \$690,000 for the counties and \$46,987 for the state for total general fund of \$736,987. Per 1-2-112, MCA, county costs must be funded by the Legislature.

#### **Department of Commerce:**

2. Based on discussions with the entities supporting the bill, and their report "Revenue Sources for a Montana Housing Trust Fund, a report for the Governor by the Montana Housing Partnership", fall 1998, the bill would raise approximately \$3,100,000 for the housing trust fund each year. The amount of this money, \$2,100,000, currently goes to the general fund (\$600,000 from Lottery, \$500,000 from arbitrage

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earnings on tax anticipation notes, and \$1,000,000 from unclaimed property). The clerk and recorder fee increases proposed by the bill are estimated to total \$1,000,000, and require a public vote due to CI75.

3. The fund would allow loans and grants; therefore some would be lent out in low-interest rate loans and some would be granted out. The bill as written, although called a housing trust fund, does not state what portion of the funds are to be kept in the fund as corpus, or whether loan repayments are returned to the fund. Therefore this analysis assumes the entire amount would be loaned or granted out and no repayments are returned to the fund.
4. This estimate includes 1.00FTE, grade 16, program manager, and 1.00 FTE, grade 11, program specialist. If funds actually collected are more or less than these estimates, staffing would have to be increased or decreased. The Board of Housing does not currently have staff available to complete these duties.
5. Advisory Council per diem and travel is estimated based on current Board of Housing travel expenses per month, assuming four meetings in the first year and two thereafter.
6. Other services and expenses are based on proportionate costs for the program for fiscal and legal, supplies and materials, communications, rent, utilities and repair and maintenance.
7. Minor equipment is included to provide computers, workstations, and partitions for two new positions.

**Department of Administration:**

8. Some mechanism would be put in place to track these interest earnings separately instead of as part of the general fund as is currently done. The impact to the general fund is a very rough estimate based on a monthly cash balance, not a daily cash balance.
9. Estimates are based on the \$68.6 million issue sold in FY 1999, actual cash balances through December 1998 and estimated balances through June 1999.
10. Interest projections are based on actual rates on a monthly basis from Board of Investments in FY 1998 for the Treasurer's Fund.
11. Interest earnings are reduced by costs of issuance of \$79,765 and interest cost of \$1,625,999.
12. Amounts could vary significantly depending upon amount of TRANS issued and interest rates.

**FISCAL IMPACT:**

**Secretary of State:**

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<b><u>Expenditures:</u></b>		
Operating Expenses	\$13,629	\$0
Transfers (to counties)	<u>48,256</u>	<u>0</u>
TOTAL	\$61,885	\$0
<b><u>Funding:</u></b>		
State Special Revenue (02)	\$61,885	\$0
<b><u>Revenues:</u></b>		
State Special Revenue (02)	(\$61,885)	\$0
<b><u>Net Impact to Fund Balance (Revenue minus Expenditure):</u></b>		
State Special Revenue (02)	(\$61,885)	\$0

**Department of Commerce:**

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
FTE	2.00	2.00
<u>Expenditures:</u>		
Personal Services	\$77,565	\$81,467
Operating Expenses	\$90,140	\$87,732
Loans/Grants	<u>\$2,932,295</u>	<u>\$2,930,801</u>
TOTAL	\$3,100,000	\$3,100,000
<u>Funding:</u>		
State Special Revenue (02)	\$3,100,000	\$3,100,000
<u>Revenues:</u>		
General Fund (01)	(\$2,100,000)	(\$2,100,000)
State Special Revenue (02)	\$3,100,000	\$3,100,000
Federal Special Revenue (03)		
Other		
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$2,100,000)	(\$2,100,000)

**Department of Administration:**

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$648,756)	(\$648,756)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$648,756)	(\$648,756)

**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

This bill proposes an increase in fees of County Clerk. These fees would be subject to a vote of the public, and then would be assessed at the county level and remitted to the State Treasurer for deposit in the housing trust fund.

**LONG-RANGE IMPACTS:**

State funds would be leveraged with federal grants, conventional loans, federal income tax credits and tax exempt bond loans at approximately \$4 for every \$1 in state funds.

**TECHNICAL NOTES:**

1. The Board of Housing currently does not receive any state funds and is a proprietary funded entity; therefore, the state special revenue fund proposed in this bill would require a separate set of financial statements in the governmental fund type, as well as separate budgeting. This program would require manual entries on SBAS for servicing of loans and grants. The Board does not account for any of its existing loans in this manner.
2. Current law does not provide authority for the Board of Housing to make direct loans on housing developments, unless necessary in order to receive federal funds. The Board purchases loans from approved lenders. If this legislation intends for the Board to make direct loans from the housing trust fund, it needs to be directly stated.

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3. Current law does not allow the Board to make grants. This legislation appears to allow grants, and may need to directly provide authority for the Board to make grants.
4. The bill does not state whether loan repayments and prepayments are returned to the fund to be lent out on subsequent projects. The bill also does not state whether the fund retains its own interest.
5. The bill does not state whether there is intent to preserve a portion of the fund as a trust fund “corpus”.
6. In new Section 4 the wording is not clear as to what should be deposited in the trust account.

### **DEDICATION OF REVENUE:**

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

Yes, none of the fees directly relate to creation of housing for low and moderate income families. However, there are probably low income families that play the lottery, as well as pay some of the county clerk fees. Some of the county clerk fees are specifically related to subdivisions and certificates of survey.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

There is currently no state appropriation for housing . These dedicated sources of funds would be applied to housing development and specifically tracked.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? \_\_\_\_Yes \_\_\_\_No (if no, explain)

Yes and no, see answer to part a.

- d) Does the need for this state special revenue provision still exist? \_\_\_\_Yes \_\_\_\_No (Explain)

There is definitely a need for “fill in the gap” financing for housing. Federal tax exempt bond rules, Low Income Housing Tax Credits, and existing housing grant programs all have specific restrictions and leave gaps in the funding available.

- e) Does the dedicated revenue affect the legislature’s ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

The dedicated revenue source could be specifically tracked, and would be accounted for separately. The Board of Housing currently does not receive any state funds, so this funding source would have its own financial statements and its own accounts.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes, provided the Legislature continues to mandate state responsibility for the Housing Trust Fund. Current law and appropriations do not provide any funds for housing from the state.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The Board of Housing does not receive any state funds (either state special revenue or general fund), and is entirely proprietary. This legislation would require separate financial statements for these state special revenue funds (which would add a whole section to the Board’s financial report). These funds would not add efficiencies to the accounting system because all of the loans would have to be manually accounted for. However, they would be easy to track because of the nature of the funds.